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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Marion Master Fund, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

800 Purchase Street, Suite 430

(No. and Street)

New Bedford

Massachusetts

(City)

(State)

02740

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Eugene Lonergan

1-508-992-4001

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

(Name -- if individual, state last, first, middle name)

85 Livingston Avenue

Roseland

New Jersey

07068

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Eugene Lonergan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Marion Master Fund, LLC, as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Suzanne M. Cai
Notary Public

Com ex 11-24-11

Eugene Lonergan Signature
Managing Member Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

MARION MASTER FUND, LLC
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2004

MARION MASTER FUND, LLC

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INDEPENDENT AUDITORS' REPORT

To the Member of
Marion Master Fund, LLC

We have audited the accompanying statement of financial condition of Marion Master Fund, LLC (the "Company") as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Marion Master Fund, LLC as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
February 11, 2005

MARION MASTER FUND, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2004

ASSETS

Cash	\$ 5,876
Receivable from clearing broker	13,280,390
Securities owned, at market (cost \$2,162,567)	2,548,541
Other assets	<u>10,000</u>
	<u>\$ 15,844,807</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities

Securities sold short, at market (proceeds \$13,549,127)	\$ 13,616,058
Accounts payable and accrued expenses	23,350
Due to parent	<u>750</u>
Total liabilities	<u>13,640,158</u>

Member's equity

<u>2,204,649</u>
<u>\$ 15,844,807</u>

MARION MASTER FUND, LLC

NOTES TO FINANCIAL STATEMENTS

1. Nature of business

Marion Master Fund, LLC (the "Company"), which was formed in November 2003, is a broker-dealer registered with the Securities and Exchange Commission (SEC). In December 2003, the Company's application to become a member of the Pacific Exchange (PCX) was approved. The Company trades in listed securities, options and futures contracts for its own account and commenced such operations in March 2004. The sole member of the Company is Marion Capital Appreciation Fund, LP, a hedge fund that is managed by Marion Capital Management, LLC and Marion Management Group, LLC.

2. Summary of significant accounting policies

Securities and Securities Sold Short

The Company values securities owned and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the period. Other securities traded in the over-the-counter markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "asked" price if sold short. At December 31, 2004 securities owned and securities sold short are comprised primarily of equity securities and options.

Revenue and Expense Recognition from Securities Transactions

Securities transactions and the related revenues and expenses are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis.

Financial Instruments

In the normal course of business, the Company utilizes derivative financial instruments in connection with its proprietary trading activities. The Company records its derivative activities at market or fair value. Gains and losses from derivative financial instruments are included in net gain (loss) on investments in the statement of operations.

Income Taxes

No provision for income taxes has been recorded because the Company is a limited liability company. Accordingly, the individual member reports its share of the Company's income or loss on its income tax returns.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

MARION MASTER FUND, LLC

NOTES TO FINANCIAL STATEMENTS

3. Net capital requirement

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 in the initial year of operations and that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company's net capital was approximately \$1,533,000, which was approximately \$1,433,000 in excess of its minimum requirement of \$100,000.

4. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

5. Concentrations of credit risk

The Company conducts business with its clearing broker for its own trading activities, pursuant to a clearance agreement. These activities may expose the Company to off-balance-sheet risk in the event the broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. The securities owned, securities sold short and the receivable from clearing broker reflected on the statement of financial condition are positions with and amounts pursuant to this clearing agreement. Management monitors the financial condition of such broker and does not anticipate any losses from this counterparty.

Amounts receivable from the clearing broker may be restricted to the extent that they serve as deposits for securities sold short.

6. Off-balance sheet risk

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to a clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts.

In addition, the receivable from the clearing broker is pursuant to this clearance agreement.

7. Securities sold short

The Company is subject to certain inherent risks arising from its investing activities of selling securities short. The ultimate cost to the Company to acquire these securities may exceed the liability reflected in these financial statements.

MARION MASTER FUND, LLC

NOTES TO FINANCIAL STATEMENTS

8. Related party transactions

The overhead expenses of the Company are borne by its member, which pays to the member's advisor, a percentage of the net assets, plus a performance fee. The amount borne by the member, which is not reflected in the accompanying financial statements may be more or less than the overhead expenses that might have been expended in support of the Company's operation had the Company been responsible for its own overhead expenses.

9. Financial highlights

Financial highlights for the period ended December 31, 2004 are as follows:

Total return	<u>17.6 %</u>
Ratio to average member's equity	
Expenses (including interest and dividends)	<u>9.2 %</u>
Net investment income (loss)	<u>(4.1) %</u>

Financial highlights are calculated for the Company taken as a whole and the ratios have been annualized.

10. Net gain (loss) on investments

The net gain (loss) on investments includes a realized gain of \$88,753 and an unrealized gain of \$319,043 for the period ended December 31, 2004.